

Message Text

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ACTION AGR-10

INFO OCT-01 ISO-00 EA-09 EB-07 COME-00 TRSE-00 OMB-01

STR-04 SP-02 L-03 PA-02 PRS-01 USIA-15 CIAE-00 INR-07

NSAE-00 IO-11 AID-05 /078 W
----- 064259

R 180540Z MAR 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2793

UNCLAS SECTION 1 OF 2 KUALA LUMPUR 1530

PASS AGRICULTURE FOR MEEKER/FAS

E.O. 11652: N/A

TAGS: EAGR MY

SUBJ: STATEMENT OF OIL PALM GROWERS COUNCIL

THE FOLLOWING STATEMENT WAS DELIVERED TO THE AGRICULTURAL ATTACHE ON MARCH 16 BY SIR CLAUDE FENNER, OIL PALM GROWERS COUNCIL BOARD MEMBER, WITH THE REQUEST THAT ITS CONTENTS BE MADE KNOWN TO THE HOUSE OF AGRICULTURE SUBCOMMITTEE CURRENTLY LOOKING INTO THE QUESTION OF PALM OIL IMPORTS. SIR CLAUDE MENTIONED THAT ALTHOUGH THIS STATEMENT REPRESENTS THE VIEWS OF THE OPGC, IT WAS CLEARED WITH THE MINISTRY OF PRIMARY INDUSTRIES BEFORE BEING DELIVERED TO THE EMBASSY.

QUOTE. IN VIEW OF RECENT PUBLICATIONS DISTRIBUTED BY THE AMERICAN NATIONAL SOYBEAN PROCESSORS ASSOCIATION AS WELL AS THE NATIONAL COTTON COUNCIL IN REGARD TO U.S. ASSISTANCE TO PALM OIL PRODUCING COUNTRIES, AND U.S. IMPORTS OF PALM OIL, OUR VICE-CHAIRMAN MR. B. BEK-NIELSEN TOOK THE OPPORTUNITY TO DISCUSS CERTAIN POINTS WITH THE GENTLEMEN MENTIONED HEREUNDER DURING THE RECENT WORLD CONFERENCE ON OILSEED AND VEGETABLE OIL PROCESSING TECHNOLOGY IN AMSTERDAM 1ST TO 5TH MARCH AS WELL AS AT THE F.A.O. STUDY GROUP ON OILSEEDS, OILS AND FATS IN ROME 8TH TO 12TH MARCH.

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AMSTERDAM:

MR. DENNIS BLANKENSHIP, DIRECTOR OF MARKET DEVELOPMENT
MR. LLOYD REID, FAR EAST DIRECTOR
BOTH OF THE AMERICAN SOYBEAN ASSOCIATION.

ROME:

MR. GEORGE WANAMAKER
SUPERVISORY AGRICULTURAL ECONOMIST
OILSEEDS AND PRODUCTS DIVISION, FAS
U.S. DEPARTMENT OF AGRICULTURE

MR. RALPH JACKSON, EXECUTIVE VICE PRESIDENT
AMERICAN SOYBEAN ASSOCIATION

MR. SHELDON J. HAUCK, EXECUTIVE DIRECTOR
NATIONAL SOYBEAN PROCESSORS ASSOCIATION

MR. CARL C. CAMPBELL, EX DIRECTOR OF FOREIGN OPERATION
NATIONAL COTTON COUNCIL OF AMERICA

MR. KENNETH O. LEWIS, SECRETARY-TREASURER
NATIONAL COTTONSEED PRODUCTS ASSOCIATION.

WHILE THE OIL PALM GROWERS COUNCIL OF MALAYSIA FULLY ACCEPT
AND RESPECT THE RIGHT AND PRIVILEGE OF THE AMERICAN SOYBEAN
ASSOCIATION AND NATIONAL SOYBEAN PROCESSORS ASSOCIATION AS
WELL AS THE NATIONAL COTTON COUNCIL TO MAKE REPRESENTATIONS
TO THE UNITED STATES GOVERNMENT IN ORDER TO PROTECT THEIR
INTERESTS, IT IS FELT THAT THE OIL PALM GROWERS COUNCIL SHOULD
BE PERMITTED THE EQUAL LIBERTY TO SUBMIT THEIR VIEWS ON SUCH
PUBLICATIONS FOR THE FAIR CONSIDERATION OF THE U.S. HOUSE OF
REPRESENTATIVES SUBCOMMITTEE ON AGRICULTURE INVESTIGATING
POSSIBLE GOVERNMENT CURBS ON U.S. IMPORTS OF PALM OIL.

A. THE TOTAL INVESTMENT IN THE MALAYSIAN PALM OIL INDUSTRY
IS NOT LESS THAN U.S. \$1 MILLION. THE TOTAL LOANS BY
THE WORLD BANK AND ASIAN DEVELOPMENT BANK ACCORDING TO
THE WORLD BANK STATEMENT COMES TO U.S. \$68.8 MILLION
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OR ABOUT 6.9 PERCENT.
MALAYSIA EXPORTED CLOSE TO 1.25 MILLION TONS OF PALM OIL
PRODUCTS DURING 1975. TAKING THE INTEREST ON WORLD BANK
LOANS TO BE ON AN AVERAGE 1.5 PERCENT BELOW THE INTEREST PAYABLE
IN THE FREE MARKET THE DIFFERENCE IN INTEREST WILL BE
U.S. ONE MILLION DOLLARS PER ANNUM WHICH IS EQUAL TO
EIGHTY CENTS PER TON OF PALM OIL EXPORTED. OUR COUNCIL
FEEL THE ALLEGATION THAT MALAYSIAN PALM OIL IS SUBSIDIZED

IN LARGE MEASURE BY U.S. TAXPAYERS MONEY DOES NOT
PRESENT A REALISTIC ASSESSMENT OF THE ACTUAL POSITION.
THE PALM OIL INDUSTRY HAS GROWN THROUGH RESEARCH AND
EFFICIENT DEVELOPMENT FURTHER ENHANCED BY SUPERIOR YIELD
PER ACRE UNIT AND IS THEREFORE A FREE MARKET PHENOMENON.

B. IT IS ALSO ALLEGED IN "SOYBEAN NEWS SERVICE" ON 24TH
FEBRUARY 1976 THAT THE AMERICAN CONSUMERS WILL PAY AN
EXTRA \$8 BILLION BY 1980 IF PALM OIL IMPORTS CONTINUE
TO GROW.

BY 1980 THE TOTAL MALAYSIAN PRODUCTION OF PALM OIL WILL
BE 2.6 MILLION TONS AT BEST. TAKING A C.I.F. PRICE OF
U.S. \$400/TON THE VALUE OF THE TOTAL PRODUCTION OF
MALAYSIAN PALM OIL BY 1980 WOULD BE WORTH ABOUT US\$1
BILLION ONLY.

WE DO NOT THINK THIS ALLEGATION REPRESENTS AS REALISTIC
ASSESSMENT OF THE SITUATION BY 1980. WE FEEL FOR
INSTANCE A STEADY SUPPLY OF HIGH QUALITY PALM OIL AT
A REASONABLE PRICE WOULD ULTIMATELY BE BENEFICIAL TO
AMERICAN CONSUMERS.

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ACTION AGR-10

INFO OCT-01 EA-09 ISO-00 EB-07 COME-00 TRSE-00 OMB-01

STR-04 SP-02 L-03 PA-02 PRS-01 USIA-15 CIAE-00 INR-07

NSAE-00 IO-11 AID-05 /078 W

----- 061569

R 180540Z MAR 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2794

UNCLAS SECTION 2 OF 2 KUALA LUMPUR 1530

PASS AGRICULTURE FOR MEEKER/FAS

C. THE PAPER ISSUED BY THE NATIONAL COTTON COUNCIL ALLEGES
THAT THE CONSUMPTION OF PALM OIL COULD BE HARMFUL TO THE

AMERICAN PEOPLE.

PALM OIL CONTAINS ABOUT 50 PERCENT UNSATURATED FATTY ACIDS AND ONLY 2-4 PERCENT STEARIC ACID THEREFORE IT CAN BE CONSIDERED NEUTRAL IN RELATION TO CARDIO-VASCULAR HEALTH. TO SINGLE PALM OIL OUT AS BEING DETRIMENTAL TO THE HEALTH OF THE AMERICAN PEOPLE WHEN SO MUCH BUTTER, LARD, TALLOW AND COCONUT OIL IS USED IN AMERICA DOES NOT CONVEY AN IMPRESSION OF OBJECTIVITY.

IT SHOULD FURTHERMORE BE POINTED OUT THAT IMPORTED PALM OIL IS MAINLY USED AS A COMPONENT IN SHORTENING OR FOR DEEP FRYING. SOYA OIL IS THE MAIN COMPONENT IN SHORTENING AND BEFORE BEING SO USED IT IS HYDROGENATED AND THEREBY NO LONGER POLYUNSATURATED.

EXPOSURE OF UNSATURATED OILS TO HIGH TEMPERATURE IN PRESENCE OF AIR FOR PROLONGED PERIODS - AS OCCURS DURING DEEP FRYING - CAN RESULT IN OXY-POLYMERFORMATION HAZARDOUS TO HEALTH. PALM OIL IS LESS PRONE TO OXIDATION THAN MOST OTHER OILS HENCE ITS POPULARITY AS A SUITABLE OIL FOR DEEP FRYING IN UNITED STATES
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AS WELL AS EUROPE.

D. PARAGRAPH (C) OF THE PAPER ISSUED BY THE NATIONAL COTTON COUNCIL SUGGESTS UNITED STATES DIRECTLY OR INDIRECTLY SHOULD HELP TO FACILITATE THE IMPORT OF PALM OIL INTO DIET-DEFICIENT COUNTRIES WHERE PALM OIL COULD UPGRADE THE NUTRITIONAL LEVELS OF THE PEOPLE'S DIET AT A RELATIVELY LOW COST.

WHILE OUR COUNCIL WOULD WELCOME SUCH AN ARRANGEMENT WE FIND IT INCONSISTENT WITH THE RECENT SALE TO PAKISTAN OF 60,000 TONS SOYBEAN OIL UNDER THE P.L. 480 PROGRAMME WITH PROSPECT OF FURTHER 40,000 TONS BEING SOLD TO WHAT WOULD BE A NATURAL MARKET FOR PALM OIL FROM SOUTH EAST ASIA. IT IS INDEED KNOWN THAT REQUEST HAS BEEN MADE FOR FUNDS TO MOVE 200,000 TONS OF SOYBEAN OIL DURING 1976 NO DOUBT TO SUCH COUNTRIES WHICH WOULD PURCHASE PALM OIL IF THEY DID NOT RECEIVE FAVOURABLE TERMS UNDER THE PL. 480 TITLE FUNDS.

E. THE MALAYSIAN PALM OIL INDUSTRY ACCEPTED THE RECOMMENDATION BY FAO AND OTHER INTERNATIONAL ORGANIZATIONS THAT OIL PALMS SHOULD BE GROWN IN ORDER TO SECURE A STEADY SUPPLY OF GOOD EDIBLE OIL FOR THE EVER-INCREASING POPULATION OF THE WORLD.

THE FUTURE PRODUCTION PROJECTIONS WHICH HAVE BEEN BASICALLY UNCHANGED FOR A NUMBER OF YEARS ARE AS FOLLOWS:

	1980	1985	1990	1995
MILLION TONS		2.6	3.5	4.55 6.00

IT TAKES FOUR TO FIVE YEARS FROM THE PLANNING STAGE BEFORE THE FIRST FRUIT IS HARVESTED AND WHEN A PALM TREE IS IN THE GROUND IT WILL PRODUCE ECONOMICALLY FOR 25 YEARS SUBJECT TO PROPER MAINTENANCE. IT IS THEREFORE OBVIOUS THAT OIL PALM GROWERS DO NOT HAVE THE FLEXIBILITY TO SWITCH FROM ONE CROP TO ANOTHER SUCH AS CAN BE DONE BY THE FARMERS GROWING SOYBEAN, COTTON, CORN OR WHEAT.

INDICATIONS ARE THAT A SURPLUS OF EDIBLE OIL WILL BE UNCLASSIFIED

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AVAILABLE DURING THE CURRENT YEAR AND PALM OIL IS NOW BEING LOOKED UPON AS THE COMMODITY WHICH IS UPSETTING STABLE MARKET CONDITIONS. WE CONSIDER SUCH VIEW TO BE ONE-SIDED. THE U.S. SOYA CROP HAS INCREASED FROM 30 MILLION TONS DURING 1970 TO 41 MILLION TONS DURING 1975. AN INCREMENT OF 35 PERCENT IN TERMS OF BEANS AND ABOUT 2 MILLION TONS IN TERMS OF SOYBEAN OIL WHICH IS GREATLY IN EXCESS OF EARLIER PROJECTIONS. IN ADDITION TO THIS THE BRAZILIAN PRODUCTION OF SOYBEANS HAS SHOWN PHENOMENAL GROWTH. WHY SHOULD PALM OIL NOW BE SINGLED OUT AS THE CAUSE OF THE PROBLEM?

ONLY TWO YEARS AGO THE U.S. IMPOSED A TEMPORARY EMBARGO ON EXPORT OF SOYBEANS. PALM OIL WAS THEN CONSIDERED A USEFUL STOP GAP. IT IS NOT THEREFORE FAIR TO EXPECT THE GROWERS OF ANNUAL CROPS TO MAKE THE NECESSARY ADJUSTMENTS BY REVISING THE PLANTING PROGRAMMES IN THE SHORT-TERM, AND THEN INVESTIGATE WORLD POTENTIAL AND RE-ASSESS THE LONG-TERM POSITION OF OIL PALMS IF FOUND NECESSARY. HOWEVER IT IS SIGNIFICANT TO NOTE THAT U.S. PURCHASES OF MALAYSIAN PALM OIL HAVE IN RECENT MONTHS BEEN RUNNING CONSIDERABLY BELOW LAST YEAR'S LEVELS.

F. THE U.S.A. ENJOYS THE STATUS, AND RIGHTLY SO, OF BEING THE WORLD'S STRONGEST PROPONENT OF FREE TRADE. WE THEREFORE FEEL IT WOULD BE WRONG TO EMBARK ON A CAMPAIGN WHICH WOULD HURT THE ECONOMIES OF PALM OIL EXPORTING DEVELOPING COUNTRIES AND REDUCE EMPLOYMENT OPPORTUNITIES.

THE U.S. SOYBEANS ENTER THE EUROPEAN MARKET WITHOUT RESTRICTION AND WE FEEL IT WOULD NOT BE IN THE INTEREST OF THE U.S. SOYBEAN GROWERS OR COTTON GROWERS TO SEEK

RESTRICTIONS AGAINST PALM OIL IN THE U.S. WHICH WOULD
EVENTUALLY LEAD TO TRADE CONFLICT DAMAGING TO ALL
CONCERNED.

THE COUNCIL SHOULD BE GRATEFUL IF THE CONTENTS OF THIS
MESSAGE CAN BE MADE KNOWN TO MEMBERS OF THE U.S. HOUSE
OF REPRESENTATIVES SUBCOMMITTEE ON AGRICULTURE DEALING
WITH THIS MATTER.
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OIL PALM GROWERS' COUNCIL OF MALAYSIA. UNQUOTE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OIL PLANTS, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA01530
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760102-0506
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760347/aaaabpjm.tel
Line Count: 294
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: wolfsd
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2004 by chengls>; APPROVED <08 SEP 2004 by wolfsd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATEMENT OF OIL PALM GROWERS COUNCIL THE FOLLOWING STATEMENT WAS DELIVERED TO THE AGRICULTURAL
TAGS: EAGR, MY, US, OIL PALM GROWERS COUNCIL, (FENNER, CLAUDE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006